RICHARD RUSSELL'S DOW THEORY LETTERS INCORPORATED

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February 6, 1985 **LETTER 906**

Jan. 25 DJIA 1276.06; PTI 1659; A-D Ratio –17.26
Feb. 1 DJIA 1277.72; PTI 1677; A-D Ratio –16.67

EXPLOSION: The D-J Industrial Average topped out on November 29, 1983 at 1287.20. Two months later, on January 9, 1984 the D-J Transportation Average hit a record high of 612.83 and then turned down. The Averages and the bulk of the stock market entered a long and costly decline which lasted until July 1984. From the July lows of 1086.57 (Industrials) and 444.03 (Transports) the Averages turned up in a one-week spurt. That spurt gave way to a long, tedious five-month consolidation.

I termed the consolidation a "line" in the Averages. I stated that a line represented an area of evenly matched accumulation and distribution, and that the next major direction of the market would be determined by a JOINT breakout by the Averages above or below the line limits.

In the last Letter I noted that the Transportation Average had already bettered its own upper line limits, and if the Industrials confirmed (by bettering 1244.15) it would be a signal of PRIMARY importance.

On January 21 the D-J Industrial Average closed at 1261.37, well above the upper line limits of that Average. In doing so the Dow confirmed the prior indications of the Transportation Average. As of January 21, the upward explosion was well underway. On that day (1) both D-J Averages closed well above the upper limits of the five-month line formation, (2) the D-J Utility Average closed at its highest level since 1965, (3) both the NYSE Composite and the S & P 500 closed at new record highs, (4) the advance-decline ratio, a proxy for ALL the stocks on the NYSE, pushed well above its recent five-month consolidation range, (5) last but not least, my Primary Trend Index shot well above all its peaks of the last five months and far above its 21-week moving average. To argue against this kind of action was like trying to hold back the ocean with a sand castle.

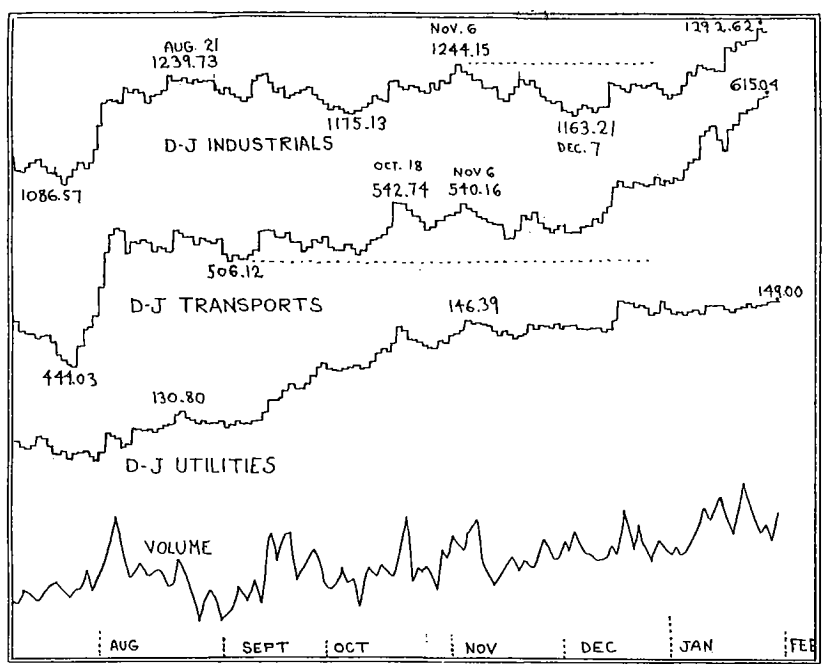
For the history books, one phenomenon should be mentioned. At the market close of January 31, the A-D ratio on the NYSE had been up for 19 consecutive sessions, a modern record, and (I believe I'm correct in this) also an all-time record. The best previous instance of a long-string A-D performance was the 16 consecutive days rise in 1971.

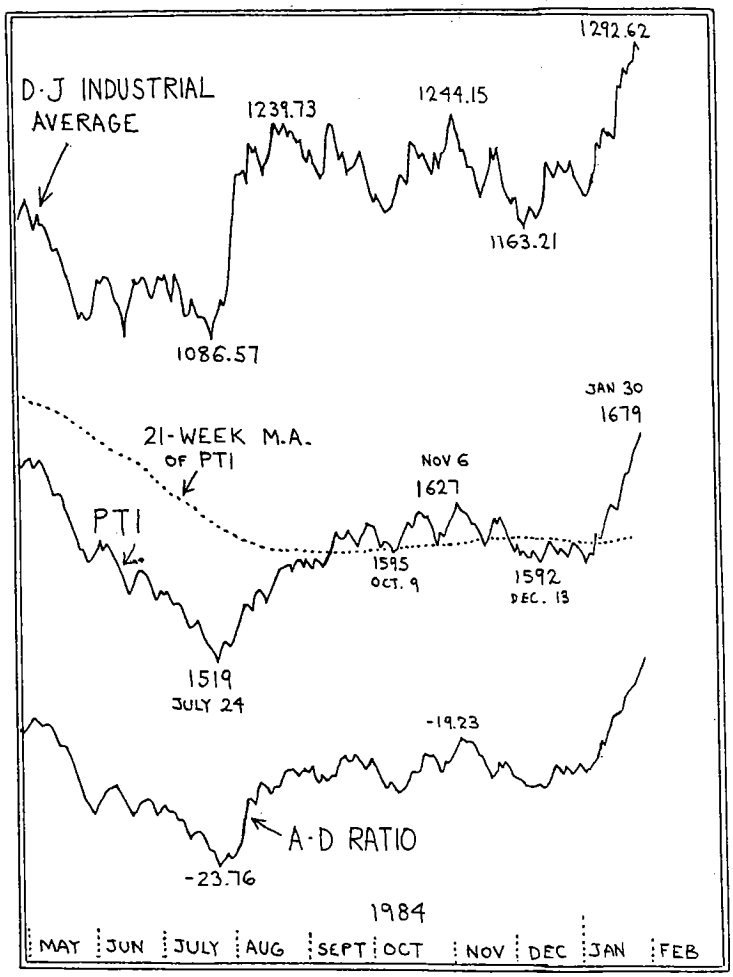
A few things are now obvious. First, the entire decline from the 1983-84 record highs in the Averages was a correction in a continuing primary bull market. With the primary trend "held back" by the corrective forces, the bull steam was building. Last month, in January, the steam blew out of the bull market boiler, and the market expressed itself. Power was added to the move by the new record high in the short interest (even though a portion of this was probably arbitrage). Further power was provided by the number of upside confirmations with almost all the major indices and averages at record highs (with the exception of the Value Line).

Among the battery of action-of-the-market indicators that I follow, the most consistently bullish has been the cumulative most-active stock index, the index which measures the plurality (daily) of the 15 most-active stocks on the NYSE. This index pushed to new high after new high all during 1984 and early 1985.

Question: What could be behind the powerful bull market reconfirmation? Why did the market explode to new highs?

Answer: The reason for most market moves is only known in retrospect. However, I do have some guesses and theories. (1) I think there is a 50/50 chance that some kind of new tax bill will be passed in the next year. The odds (if a bill is passed) heavily favor a lowering of the ceiling rate for the income tax – the most often talked about is a drop from the current 50% to 40% or 35%. If this happens, there will be much greater incentive to own income producing items such as stock and bonds rather than hard assets that pay no income such as gold, silver, diamonds, lands. This emphasis on income instead of hard assets is disinflationary (maybe not deflationary but disinflationary). On that basis, all income-producing items (stocks and bonds) would become additionally attractive.





(2) There is a feeling of semi-euphoria in the air. After decades, we finally have a popular President (68% of the public approve of what Mr. Reagan is doing). The US military build-up has made Americans feel safer (or prouder), and Russia is now acting as if she would like to bargain with us. The restaurants are full, Sinatra is still singing, everyone in Manhattan and Beverly Hills who owns a house is a millionaire, and this even though inflation is down.

The baddies at OPEC are on the run, oil prices are down and weak, gold at a mere 300 is comforting, and even the secondary stocks (that were bettered during 1984) have come alive again.

(3) To top it off, people have almost forgotten what an under-100 million share day looks like on the NYSE. The market has been booming, the advisors are all bullish, and the newspapers are promising "more of the same." I don't know, maybe this headline from the January 30 ***USA Today*** says it all. When a 1.3 million circulation newspaper promises Dow 1500, aren't the good times here?

Dow at 1500 by year-end?

Question: All very good, Russell, but doesn't this sound like the third and final phase of the bull market?

Answer: An old Wall Street adage states, "When everyone is bearish, they are probably all wrong. When everybody is bullish, the market can keep climbing – at least for a while." Yes, I do feel the clouds are parting, I do feel that we are witnessing a kind of semi-euphoria, and I do note the record volume on the NYSE, the widespread speculation, and the new option or trading vehicle being introduced everyday. I also note that the average yield on the D-J Industrial Average is now down to a minuscule 2.3%.

It seems to me that we are seeing third phase action, but let's be kind to the market and let's be patient. The fact is that third phase action can last quite a while. In this business you learn to give the market its head, you learn to let it express itself. After a reaction lasting over a year (all within a continuing bull market) stocks want to go up, they want to blow off steam. And meanwhile, the competition from hundreds of money managers for "performance" is intense. The funds and institutions have to perform, and in a bull market they perform by being in the stocks that are heading north.

INVESTMENT POSITION: With the Industrial confirmation and new highs in the major composite indices plus the big spurt in the PTI, the bull is back in this box. In the last Letter I said hang onto all positions, and that advice still holds. With 19 days of consecutive rising breadth, the market needs a rest, and that's what we should see. A backing off or correction here will give us time to see how well the market can digest its gains. It will also give those who want to buy additional stocks and no-load funds a chance to do so.

On the highway "speed kills" and in the markets "greed kills." I personally don't feel any need to rush in and buy willy-nilly in this market. We made one good play last year in bonds, and one or two plays a year puts us far ahead of the vast majority of investors. Last year, for instance, three-fourths of all money managers fell short of keeping up with the S & P 500, and the average investment among managers showed only a 6.1% return for 1984. So much for professional performance.

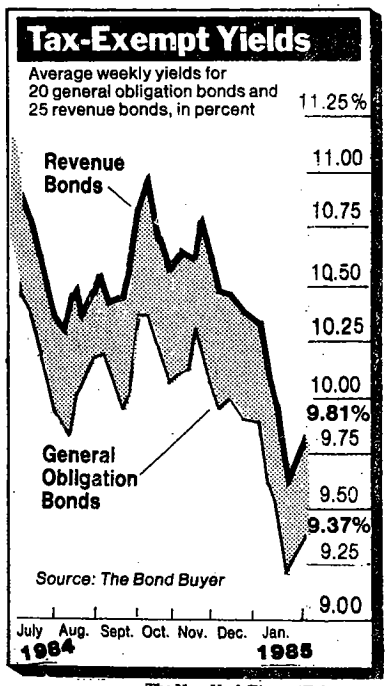
I've felt ever since 1982 that we are in a "buy and hold" type environment, and I make this statement in the face of myriad switch funds, computerized trading services, option strategies and what have you.

The following Dow stocks are above their own 10-week moving averages and are also showing superior relative strength to the market: Allied Corp., Amer. Can., Amer. Express, A T & T, Exxon, Gen. Elect., Gen. Motors, IBM, Owens–Illinois, United Technology, Westinghouse, Woolworth. Of the no-load funds, most of the ones I repeatedly recommended last year continue to perform very well. I like Fidelity Equity-Income 1 800 225 6190, Guardian Mutual 1 800 0770 (NY 850 8300), Mutual Shares 1 800 221 7864 (NY 908 4048).

MONEY RATES, BONDS: Having bought bonds in June and July, my advice has been to hold all bonds until or unless the March T-bond contract closed at 70 or below. This has not occurred, and in fact last week the contract rose to a new high. Conclusion: we continue to hold bonds. I also strongly advocated buying muni bonds with their fat non-taxable yields. Other investors of late have seen the same fat, bargain yields with the result (see page 3 chart) that the munis have surged on the upside with their yields falling well below the area where I had recommended the bonds.

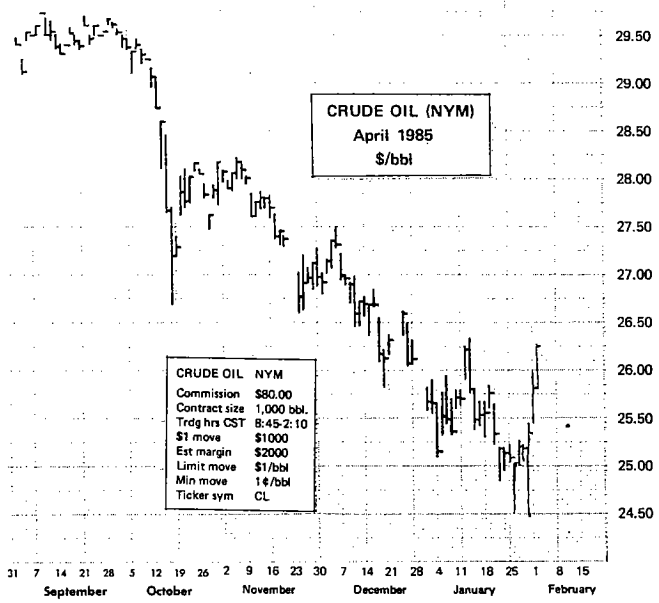
What now? There are two extraordinary phenomena currently operating simultaneously. The first is the price of oil (which has been very weak). The second is the booming federal deficit. The weak oil price is obviously deflationary. Late last week, however, oil firmed, and so many people are now predicting a collapse in oil prices, that I almost think (at this point) we can take a

contrary opinion stance on this. Of course, if oil does continue to slide, if oil goes down to say – $20 a barrel then it's going to absolutely kill the oil producing nations. It could also kill the banks that made huge oil loans to the oil companies with oil as collateral. So IF, I say if, oil drops down into the $20 area all hell will break lose. But I'm skeptical of another big oil break at this time.



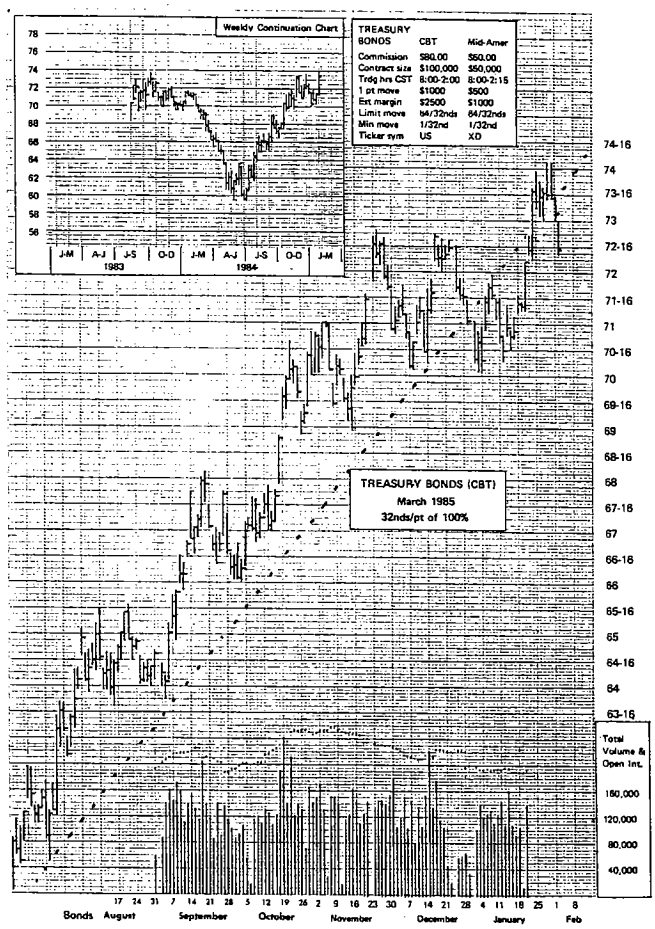
The New York Times / Feb. 1, 1985

The second item is the federal deficit. For October through December the deficit rose 14.4% over last year. Interest payments for the first fiscal quarter rose to $49.4 billion, 23.3% above last year. Mr. Reagan has "backed off," and Senator Dole has taken the helm in the effort to cut the deficit. Cap Weinberger is standing fast on defense cuts, and Dole says that he is going to try to cut $50 billion off the budget, but it's going to be hard, mighty hard.



So as far as significant deficit cutting is concerned, who knows? The stock market is hot, interest rates are down, the GNP is sailing along and everybody (except the farmers and the steel workers) is happy. When people feel good (and they do), politicians don't feel any pressure – and when the boys in Washington don't feel any pressure, they usually allow "crises" to drift along until just after the next election (which would be 1986). Conclusion: don't expect much out of Washington. As for a new "better" tax system, maybe, maybe not, it's a toss-up right now.

My own instinct tends toward the predictions of Lawrence Kudlow, and here is a piece about Mr. K from the January 23 *New York Times:*



Lawrence Kudlow, who served as chief economist of O.M.B. earlier in the Reagan Administration and is now an investment counselor, calls the budget outlook "a disaster." He describes spending as "out of control" and the deficit "angling upward on a dangerous pro-cyclical path." According to his estimates, Federal outlays for the fiscal year 1985, which began last Oct. 1, will reach $982 billion, with revenues of just $737 billion, for a deficit of $245 billion.

All of which may mean that the bonds have already seen the juiciest part of the great advance. But they haven't topped out yet, and we hold them until they do. Based on the yields obtained when we bought the bonds, that's no hardship. I'll sit for a long time with 12½% returns on T-bonds and near 10% returns (tax free) on AA rated munis.

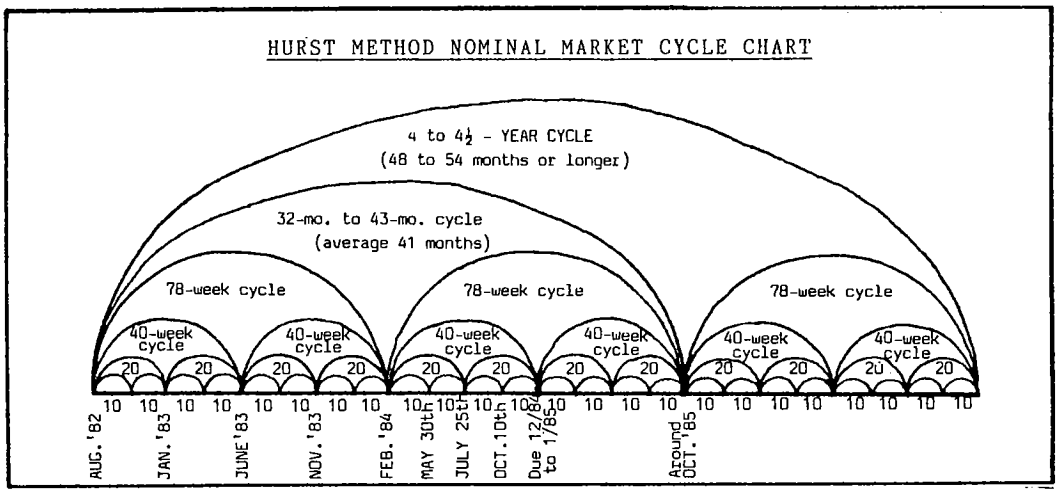
SUNDRY QUESTIONS:

Question: You often refer to the bond futures contract. Which bond are they referring to in the contract?

Answer: This bond will change, but it is always the cheapest deliverable bond, which is also usually the latest long-term issue. Right now(refer to the WSJ bond list) the contract is trading off of the 11 3/4 bond of 2009-14.

Question: I note in the bond they talk about the current yield and yield to maturity. Explain, please?

Answer: The current yield is the actual yield based on the money you put down to pay for the bond today. Divide the bond yield by the cost to get the current yield. The yield to maturity is based on current yield plus appreciation (if the bond is discounted) or the depreciation (if you pay over $1,000 or par) for the bond. Your broker can quote you the yield to maturity.



Question: Some bonds are callable. What does this mean?

Answer: An agency puts out a 25-year bond at 12% interest, and it is callable in the year 1995. But ten years after the bond is issued, interest rates drop to 8%. The agency decides that it's cheaper to call the bond and refinance at lower rates. The bond is called at par and the buyer takes a loss on the market price of the bond because it has risen far above $1000, due to declining interest rates. For this reason, discounted bonds (selling below $1000) are far less likely to be called since the agency would find it cheaper to buy up its discounted bonds on the open market rather than call them in at par or near-par (the agency posts prices at which the bonds are callable, and these prices are usually near par).

Question: What happens to munis if the flat tax with a 35% tax ceiling is enacted?

Answer: Take federal taxes alone. If you are in a 50% bracket a 10% muni yield gives you a return equal to a taxable 20%. If the 35% tax ceiling is enacted, that 20% comparable return drops to 15.4%. But in California or New York or other states with high taxes of say 10%, you have to figure that a muni is worth even more (assuming the bond is from your state), since the munis are tax free state and federal. For instance, in California you can figure a peak federal tax of 50% and a state tax of 10%, but a flat tax would still mean 35% plus 10% or 45% total tax. Under those still-high tax conditions, the munis continue to be a premium source of income. I thought the munis last December discounted all the bad news. Since then, the munis have pushed up sharply in price.

Question: Let's turn to the stock market. Russell, do you pay attention to market cycles in your studies?

Answer: I receive about half a dozen advisory services that specialize in cycle analysis. Cycle studies interest me, but I must admit that I am not overly influenced by them. The problem, as I see it, is not that cycles do not exist or that cycles do not affect the markets. The problem is that so few advisors are able correctly to identify the cycles.

I include here a current cycle chart drawn by my good friend, Kennedy Gammage of Richland Co. here in La Jolla. Ken is a cycles expert, and this chart shows us the way Ken sees the cycle situation now. Note that he had a "nesting low" of cycles in the December-January period, which certainly seemed to be correct this year. Note also that Ken shows a whole slew of cycle lows to appear around October, 1985. By October of this year the 4½ year, the 41-month, the 78-week and the 40-week cycles will all be heading down or hitting lows. Thus, if Ken is correct, we can expect cyclical pressure to come in hard around the fourth quarter of 1985.

Question: I know you used to write a lot about the Elliott Wave Theory. But you haven't recently. Why?

Answer: I stopped because I don't need to any longer. Bob Prechter does it far better than I or anyone else does. I was instrumental in urging Bob to start publishing his report many years ago, and I am particularly pleased to see how extremely well Bob is now doing. When famed Elliott interpreter A. J. Frost came to see me and asked me to do an Elliott book with him some years ago, I suggested that he do it with Bob Prechter instead. That book is now the finest explanation of Elliott on the market.

As far as Elliott is concerned, yes I still follow Elliott, and I read all of Bob's reports with great interest. Elliott has one advantage that is also shared by Dow's Theory – it is open to interpretation (and I do not say that sarcastically). In fact, both Elliott and Dow Theory MUST be interpreted. When any system becomes automatic (needing no interpretation), it either (1) malfunctions, or (2) gathers a wide following and then ceases to work at all. Elliott and Dow Theory provide hints, implications, ideas, patterns to look for. But any number of top analysts have interpreted Dow's Theory incorrectly. And Elliott has as many interpreters as followers. Elliott wave patterns can also abort or extend.

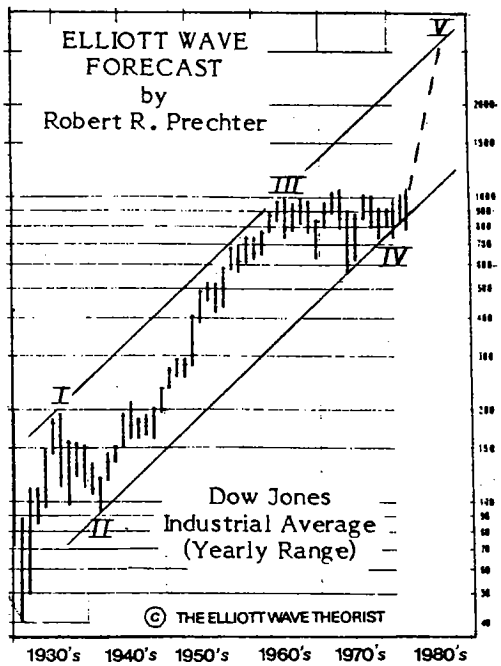
As Robert Rhea (the great Dow Theorist of the 1930's) was fond of saying, when the perfect system for beating the market is invented, the market will cease to exist. The reason is simple: the inventor of the perfect system will garner all the money, he'll simply "break the bank."

Question: What is Elliott saying now?

Answer: The easiest explanation of Elliott is provided by a little chart that appeared in the January 13, 1985 issue of ***The Elliott Wave Theorist*** (PO Box 1618, Gainesville, GA 30503). Clearly, Prechter is of the opinion that the long and tedious corrective leg IV is now completed and that the stock market is embarking on final wave V, a wave that he feels could take the Dow into or above the 3000 area. This would mean that the Dow would attack the upper level of the parallel rising trendlines as shown on Prechter's chart.

Question: What about the Kondratieff Wave that I have heard so much about?

Answer: Here again, we get into the same kind of interpretation or argument that confronts followers of Dow's Theory or Elliott. The problem is interpretation. The Kondratieff Wave has a number of serious interpreters including Don Hoppe, Julian Snyder and Bill Bretz. Very simply, the Kondratieff Wave lasts from roughly 53 to 56 years. From the peak, the Wave turns down and a primary recession results. Then there is an inflationary rise or plateau period, followed by the "real thing" which is a hair-curling depression.



States Donald Hoppe (Box 977, Crystal Lake, IL 60014) in his last report, "It is quite obvious, of course, that the last Super-cycle peak occurred in 1929. That establishes the probability for a similar peak some 53 to 56 years later, or anywhere from 1982 to 1985."

Hoppe believes that we are now in the critical zone, but he does allow for "...one more runup to new highs for the popular NY Stock market averages. If that happens, however, I think it will be a trap (just as the March-September 1929 blowoff was)."

Question: All right, Russell, I've digested all the above, but what can we make of it?

Answer: I don't know if one can put it all together, unless we want to say that Elliott dovetails with Kondratieff in that the markets would now seem to be in the final stages of a huge bull market that began at the depths of the Great Depression in July 1932 at 41.22 on the Dow. Hoppe and Snyder believe that we're deep in the danger zone now, while Prechter believes we still have a giant Elliott Wave V to complete. Prechter does mention that "an overall lackluster performance by the advance-decline line is normal in fifth waves. The 1921-29 and 1962-66 bull markets both produced no net gain in the A-D line. The current bull market should be the same in that regard."

ENVY, RESENTMENT: These two emotions are among the ***most destructive*** of all emotions. Admiration and envy are often confused. But there is a huge difference. To admire a man is to appreciate him and to wish him well. To envy a man is to want what he has. The secret wish is to destroy him and make what he has – yours.

Resentment is like the bulldog grip, you don't let it go and you don't bite through it. Resentment is the "hanging on" emotion. The other side of resentment is gratitude. Example: I felt I wasted four years in World War II, and at the time I resented it. Then one day I looked back and realized how much I had learned in the infantry and later in the Air Force. My resentment turned to gratitude, and I let go of my resentment.

As for envy, the old adage runs, "Be careful about what you wish for – you just might get it." In the last Letter I wrote about GM's new baby, the much talked-about Saturn Division. Picked to head this division was the GM star, Joseph Sanchez. No doubt thousands of executives dreamed that they might have been Mr. Sanchez. Last week Mr. Sanchez died of a heart attack. He was 54. No man alive knows what tensions, what problems, what misfortunes may have led to Mr. Sanchez's death. Moral: live your life in your own way to the best of your ability. Let the other man live his life. To envy another man is to demean yourself and to reveal your own ignorance.

NOTES & QUOTES: When Americans don't eat steak and potatoes, what kind of ethnic food do they eat? The National Restaurant Assoc. shows that of all ethnic foods, Americans opt for 36% Italian, 23% Chinese, 20% Mexican, 8% French and 6% German.

Drinks: What countries consume the largest amounts of liquor per person? Hungary is first, East Germany is second, Poland is third, Czechoslovakia fourth, Canada fifth, Russia sixth, Spain seventh, US is eighth. What do they drink? In the US, whiskies of all kinds are first, and a big second is vodka. The US is also by far the biggest importer of spirits, importing 46% of the world's total (West Germany is second at 8.6%).

What is the world's biggest spirits seller? Would you believe there is nothing close to sake? Total world consumption of sake is 203 million cases. Next, various whiskies at 112 million cases. What's the biggest label in the US? Would you believe Bacardi rum by far at 7.6 million cases in 1983. Next, Smirnoff vodka at 5.7 million cases. Third is 7 Crown whisky at 5.7 million cases, then Canadian Mist, then Jim Beam.

A word about sake, which is made from rice and can be anywhere from 16% to 40% alcohol. Sake is consumed all over the world, with Japan alone knocking off 200 million cases a year! It's my own favorite drink, costs 5 bucks and up per bottle and should be served in a small special porcelain cup – piping HOT.

* *

There are 13 million small businesses (sales under $10 million) in the US. Turnover of these businesses is 16% a year. In other words, every six years all of them (taken as an average) either change hands or go under.

* *

America on Drugs: The US Food and Drug Admin. reports the following as the biggest selling prescription drugs in 1982: (1) Tagamet (ulcers), (2) Inderal (blood pressure and heart), (3) Valium (tranquilizer), (4) Dyazide (diuretic), (5) Motrin (anti-inflammatory), (6) Keflex (antibiotic), (7) Aldomet (blood pressure).

* *

How did investors fare in 1984? Here's the answer. Bonds were best, up 15%, Collectibles (Sotheby index), up 13%, the dollar up 12%, houses up 4%, stocks up 3%, mutual funds up 3%, diamonds down 10%, commodities down 12%, gold down 19%, silver down 29%.

* *

Business Week (Feb. 4) notes that the majority of advisors and money handlers can't keep up with the S & P 500. Maybe there are too many characters trying to beat the market. There are now 9,000 investment advisors registered with the SEC with new applications coming in at the rate of 200 per month. Competition is intense, and the furor to "out-perform" forces many advisors to take unnecessary and often costly chances.

* *

Items to Ponder: In the last Letter I showed the 1984 choices of experts and the results (which were NOT good). Here are the top choices by 20 senior commodity specialists for 1985. (1) sell crude oil, (2) buy stock indexes, (3) sell gold, (4) buy bonds, (5) buy cattle, (6) buy wheat, (7) sell pork bellies . . . If history is of any value, expect the majority of these choices to be wrong.

Wealth magazine reports on expert climatologist Eben Browning's predictions for weather between now and 2010. Based on changes in volcanic activity, solar activity and the position of the earth's magnetic field, Browning sees the following:

"Although we won't have an ice age, increased volcanic activity will mean that it will get cooler. In fact, from the end of the 1930s (the warmest decade) to the year 2010, the temperature will drop about 2.3 degrees Centigrade, which doesn't sound like much until you realize the crop-growing areas move south about 300 miles per degree Centigrade drop.

"The Toronto 1940 climate will be found in northern Mississippi by 2010. Toledo, Ohio, had an 11-year running average 195-day growing season in 1930; now they have a 120-day season. In 1956, the southern portion of Russia, where most of the Soviet grain is grown, had a 100-day growing season. Now, our satellites show snow as late as the middle of June and as early as the middle of August in that area, meaning they have a 60-day growing season for 95-day wheat."

"This 1 degree drop is synchronous with the increased volcanicity that will deny us another 1.3 degrees, giving us the expected 2.3 degrees Centigrade drop by 2010," he said. "Among the effects I anticipate are that Canada will grow no grain by that time and that the only citrus grown in the United States will be in Hawaii."

"Since 1972, we have lost four million square kilometers of land to 12-month running average ice cover—that's 3.8 percent of the entire land mass of the Hemisphere. As the ice continues to advance, by 2010, Canada will grow no grain. By 1988, the Russians will produce only 75 percent of the grain they produced in 1984, and Russia is already a very marginal place to grow grain.

"The average corn farmer in the United States who plants a grain of corn gets 72 back; the average U.S. wheat farmer who plants one grain gets 35 grains back. The best crop the Russians ever had was 7.2 grains back for every one planted. Last year, they made about five grains."

* *

Lacy Hunt, a top-name economist, believes that Fed policy is best monitored not by M-1 (which is partly determined by decisions of the public) but by nonborrowed reserves of depository institutions (which are closely controlled by the Fed). Says Hunt, these reserves have surged at a 77% pace in the three months ending in December – the fastest rate in recent memory. Hunt thus believes the economy will grow at around 5½% in the first half, and this could be what the stock market is seeing and reflecting.

* *

Get 'em OUT: T. R. Reid, writing in the Washington Post, states that "Every member of Congress should stand up tomorrow and swear an oath that this will be his or her last term. That would not only rid us of 535 people who have proved decisively over recent years that they are incapable of balancing a budget, writing a sensible tax code or anything else worthwhile, but it would also eradicate a new and harmful strain of public official unknown to the Founding Fathers and most of American history – the career congressman."

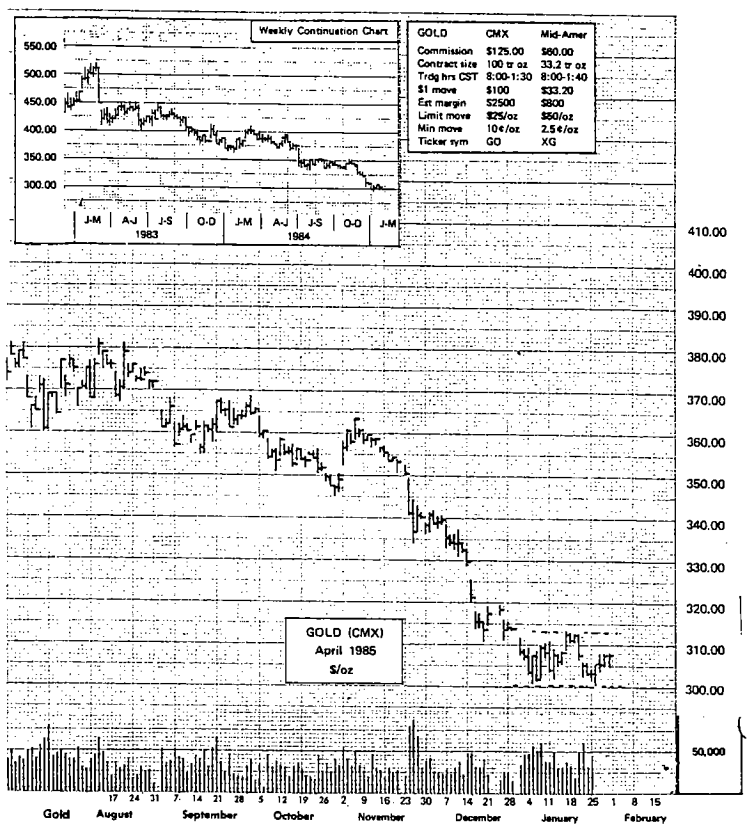
Reid explains that the average congressman now stays in office for 12 years, senators a lot longer and many stay around for 25 years or more. Thus, the "petrification" on Congress is the exact opposite of what the Fathers wanted. The office was originally designed for citizen lawmakers who would do their job and then go home and be useful. Today there is one overriding concern shared by our boys in Washington – to get reelected! States Reid, 408 of the 435 House members ran for reelection and 29 of the 33 senators did the same. Thus, we are faced with dynasties of political hacks and sycophants, men who put their own "profession" above all else.

GOLD, METALS: Let's be icy cold about this. Let's say that we are just looking at the charts in an effort to determine (1) whether the metals are doing anything new – other than declining, and (2) whether there are any seeds of inflation in the wind – as signalled by rising metal prices. Of all the metals, copper and palladium have been the strongest. Copper, lowly copper, is the only metal to have reversed its major downtrend line, and a closing above $.65 would be VERY significant and bullish for copper. Silver has been stronger than gold, and a little upward zig-zag has now formed in the silver chart. Silver at over 7 dollars would reverse a two-year downtrend so watch 7 dollars carefully.

Gold: this daily chart (courtesy of Dunn & Hargitt) shows a little consolidation pattern in the April gold contract. Could this be a bottom pattern? It will be if April gold can breakout at 315. At 315 I would then expect a test of the 320 level, and if 320 is bettered watch for a renewal of inflation and a major top in the bonds. Gold under 300 on the April contract would be a bearish turn for the metals. Best to stay very neutral here.

On the minus side for metalphiles: the foreign currencies still show nothing (Swiss franc at new low), and if gold and silver are going to move up, the currencies should also be moving up – which they aren't. Second item: my stocks-to-gold ratio is at a multi-year low. This ratio is almost always RISING prior or during a metals advance – and it isn't now.

Final item: there is a huge amount of shorts in the metal stocks. I calculate the short interest ratio in the gold stocks at 8.0. Thus, at the slightest hint of gold firmness the stocks pop.



LATE NOTES: For the month of January, the Dow was up 6.2% D-J Transports up 9.2%, S&P 500 up 7.4%, Value Line up 9.9%. It was a very strong January, historically a good sign. Against this the new Reagan budget will give us a federal debt of an unbelievable $2.5 trillion by 1990. Short term rates moved up well over 8% last week, and the bonds were hit hard. The dollar touched new highs, and the Fed, it appears, is through manipulating interest rates lower. Despite the excellent January stock market performance, I remain diversification-minded and conservative. Keep your eye on interest rates. They are the key here. And the T-bonds are now down to where they were in November.

NEXT MAILING: Feb. 21